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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

The Republic Of Rhodesia:
Economic Status And Prospects For Growth

~~Secret~~

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
March 1970

INTELLIGENCE MEMORANDUM

The Republic Of Rhodesia: Economic Status And Prospects For Growth

Introduction

The British breakaway colony of Southern Rhodesia, which had declared its independence of Great Britain on 11 November 1965 but still maintained some residual ties to the crown, cut the final bond on 2 March 1970 and formally became a Republic. The United Kingdom and the United Nations have tried to bring down Prime Minister Ian Smith's white minority government through economic sanctions. The United Nations action taken on 18 March 1970 is the latest in a series of such moves that began in 1965. This memorandum examines the failure of four years of sanctions to bring Smith to terms, the changes that have taken place in the economy, and the prospects for Rhodesia's economic growth in the 1970s.

Note: This memorandum was produced solely by CIA. It was prepared by the Office of Economic Research and was coordinated with the Office of Current Intelligence.

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CHRONOLOGY

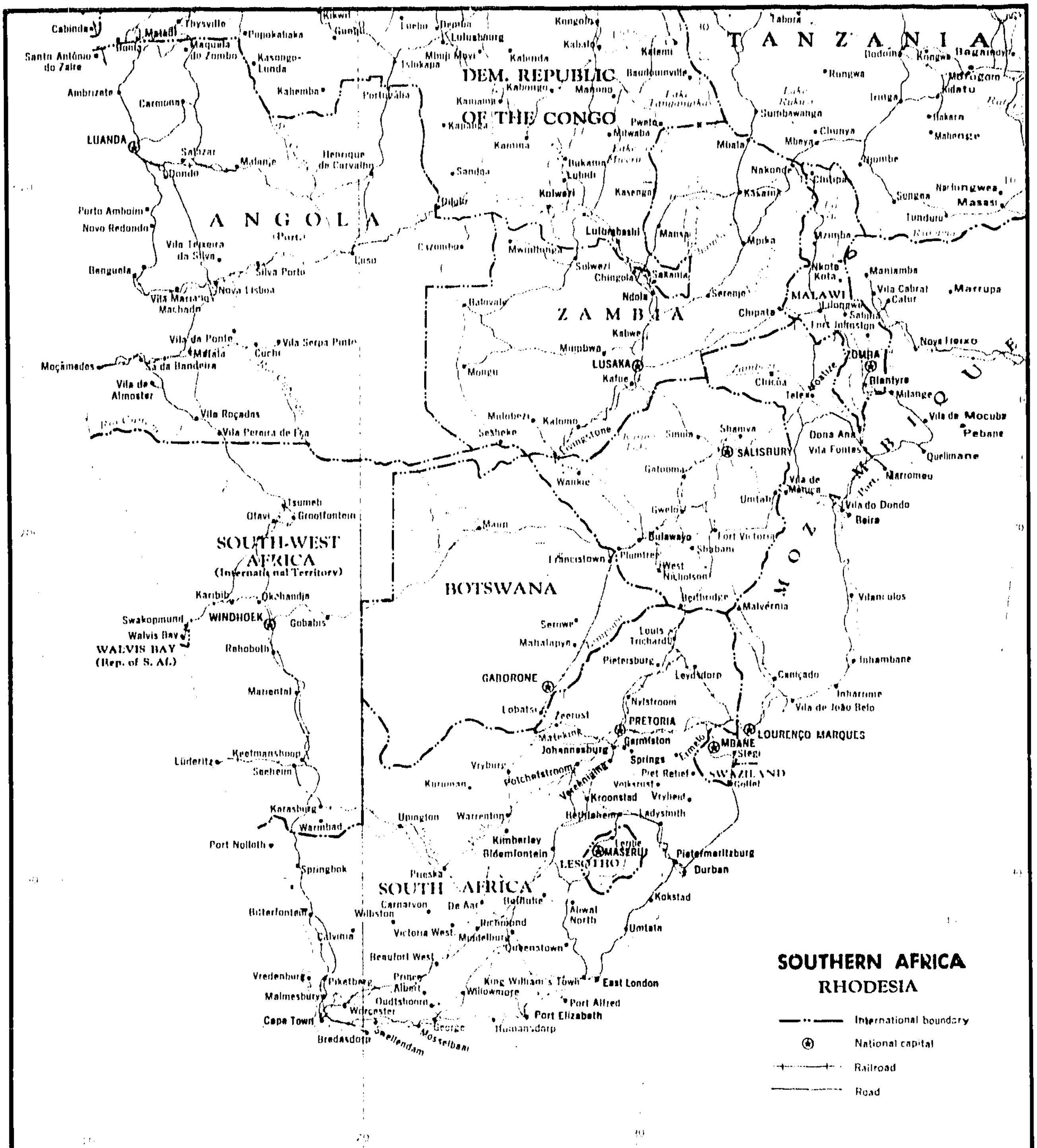
1923	October	Southern Rhodesia becomes a self-governing colony of the United Kingdom.
1953	September	Federation of Rhodesia and Nyasaland is inaugurated.
1961	December	New constitution promulgated which removes most of the remaining legal controls held by the United Kingdom.
1963	December	Federation of Rhodesia and Nyasaland is dissolved.
1964	November	Predominately white electorate in a referendum approves independence.
1965	May	Rhodesian Front party sweeps general election.
	November	Prime Minister Ian Smith issues Unilateral Declaration of Independence and abrogates the 1961 constitution.
		United Kingdom initiates selective economic and political sanctions making virtually all exports from Rhodesia nominally illegal and prohibiting the sale of British goods to Rhodesia.
	December	United Kingdom includes oil embargo as part of selective economic and political sanctions.
1966	April	United Nations Security Council authorizes the United Kingdom to blockade the Mozambique port of Beira to stop oil supplies from reaching Rhodesia.
	December	Prime Ministers Smith and Wilson hold unsuccessful talks aboard the H.M.S. *Tiger* at Gibraltar.
		United Nations Security Council invokes selective mandatory sanctions against Rhodesia making binding on all United Nations members many of the voluntary sanctions that had been in effect for more than a year.
1968	May	United Nations Security Council invokes comprehensive mandatory sanctions against Rhodesia; all United Nations members are enjoined from trading with Rhodesia except for trade in a few selected items, primarily medically related.
	October	Prime Ministers Smith and Wilson hold a second unsuccessful round of talks aboard the H.M.S. *Fearless* at Gibraltar.
1969	June	Predominately white electorate in a referendum approves the creation of a republic and a new constitution.
1970	March	Rhodesia's republican constitution promulgated and parliamentary elections under the new constitution set for April.

Background

1. Rhodesia's declaration of Republic status in March 1970 formally ended some 80 years of ties with the British Crown. Rhodesia became a self-governing colony of the United Kingdom in 1923. In 1953, it formed a federation with Northern Rhodesia and Nyasaland. Preparations for independence by its members brought about the Federation's dissolution ten years later, and in 1964, Northern Rhodesia and Nyasaland became the independent black-ruled states of Zambia and Malawi. Unable to reach agreement with the United Kingdom on the status of Black Africans under a new constitution, Rhodesia unilaterally declared its independence from Great Britain in November 1965.

2. The United Kingdom, in retaliation against Rhodesia's Unilateral Declaration of Independence (UDI), attempted to force its return to British rule by economic sanctions (see the chronology). A sharp reduction in Rhodesia's imports and exports, London expected, would inflict severe hardship on the economy and force the white electorate to come to terms -- essentially to move toward majority rule, which meant black rule. Sanctions became nominally more severe and comprehensive when, under UN aegis in May 1968, they were extended to virtually all of Rhodesia's foreign trade and other economic ties with the outside world. On 18 March 1970, following Rhodesia's formal transition to Republican status, sanctions were further extended to include transport and consular relations. The key targets of the sanction campaign were Rhodesia's principal export commodities -- tobacco, sugar, asbestos, copper, chrome ore, and pig iron -- and a strategic import, oil. However, Salisbury's success in maintaining traditional markets (except in the United Kingdom, the United States, and Canada), in expanding other markets, and in restructuring the economy has enabled Rhodesia to ignore UK/UN political demands.

3. Because they were not universally enforced, sanctions did not disrupt Rhodesia's economy. Portugal, which controls strategically located Mozambique, and South Africa openly refused to participate (see the map). Both countries continued their trade with Rhodesia and both facilitated Rhodesian trade with other countries by



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providing false certificates of origin or of destination and by mixing Rhodesian products with their own.

4. South Africa's economic assistance to Rhodesia, primarily providing disguised trade channels and a small amount of credits, has cost Pretoria very little. The two countries have no special trade or financial arrangements, nor has South Africa given preferential treatment to Rhodesian products. In fact, South Africa may have benefited economically from UDI and the subsequent sanctions program by the increased level of entrepot activities and by the expansion of South African exports to Zambia and other countries seeking sources of supply alternative to Rhodesia. Should the need arise, however, South African authorities probably would be willing to incur substantial costs to maintain a white minority government in Rhodesia.

5. Although attempts were made by both the United Nations and the United Kingdom to enforce sanctions, most governments outside of the United Kingdom, the United States, Canada, and Scandinavia merely paid lip service and did little to force their nationals to comply. The statistics of almost all major trading countries indicate a sharp drop in trade with Rhodesia, but many continue to trade indirectly. The subterfuge provided by South Africa and Mozambique has made evasions extremely difficult to prove, and there has been a general refusal to act against violators without adequate proof. The wide demand for many of Rhodesia's raw materials and Salisbury's willingness to cut export prices and pay import premiums have provided a remunerative field for foreign traders under the relatively safe guise of trading with South Africa and Mozambique.

Agricultural Exports

6. Agricultural products, principally tobacco, sugar, cotton, corn, and meat products, accounted for approximately 40% of Rhodesia's commodity exports prior to UDI. Tobacco, which alone accounted for about one-half of marketed agricultural output and for about one-third of foreign trade earnings, and sugar have been the hardest hit by sanctions. In part this is because of the world surplus of both commodities. Cotton, corn, and meat products, however, have found a ready market in South Africa, and meat has been sold to Portugal.

7. Tobacco sanctions have been particularly effective. Rhodesian leaf is identified easily, the crop was large relative to world tobacco trade, and markets were concentrated in a few countries, notably the United Kingdom. Prior to UDI, Rhodesia was the world's second largest producer of flue-cured tobacco after the United States and supplied about one-fourth of the world market; since UDI, tobacco exports have declined from more than $135 million in 1965 to about $30 million in 1968. Recognizing the insurmountable odds faced by the tobacco industry, Rhodesia has sought to diversify into other crops. Salisbury has set successively smaller quotas (see Table 1), and roughly one-half of the growers of flue-cured tobacco have withdrawn from production entirely. Those remaining probably will continue to suffer hardships because of sanctions, despite government subsidy, which has totaled some $90 million since UDI.

8. Sugar exports, Rhodesia's second most important export crop, also fell markedly after UDI. As a result of earlier programs, production had been rising sharply, and this increase continued even after sanctions were imposed -- from more than 170,000 short tons in 1965 to about 290,000 tons in 1967. Following sanctions, exports fell well below production as markets were lost in Britain, Canada, and Zambia and the Rhodesian government was forced to buy and stockpile sugar to prevent a collapse of the industry. Exports since have expanded, however, particularly to Portugal, now the most important market. With a cutback in output to some 150,000 tons in 1968, stocks are no longer rising and may be declining.

9. Rhodesia's other major agricultural exports -- cotton, corn, and meat products -- generally have fared much better. Cotton production has risen from an estimated 40 million pounds in crop year 1966 to 170 million pounds in 1969. Approximately one-half of the crop is now exported, primarily to South Africa. Corn production similarly has risen dramatically as farmers have shifted out of tobacco. The 1969 crop, much of which has been sold to South Africa, was approximately one million tons, or roughly four times the 1965 output. Cattle raising also has increased considerably in recent years, and foreign sales of beef, primarily to South Africa and Portugal, are substantially above the pre-UDI level.

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Table 1

Domestic Quotas
for Flue-Cured Tobacco, by Crop Year

	1966/67	1967/68	1968/69	1969/70	1970/71 a/	1971/72 a/
Weight (million pounds)	200	132	132	132	100	100
Average price (cents per pound)	33	33	29	33	33	33
Total earnings (thousand US $)	66,000	43,560	38,280	43,560	33,000	33,000

a. Scheduled.

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Mineral Exports

10. Chromium probably is Rhodesia's only mineral product to be affected other than marginally by sanctions. At UDI, Rhodesia was the world's third largest chrome ore producer behind the Soviet Union and South Africa. Production in 1965 was 645,500 tons of mainly high-quality metallurgical-grade ore, most of which came from mines owned by two US companies: Union Carbide Corporation and Foote Mineral Company. The United States was the major buyer and took about 340,000 tons in 1965. Another 200,000 tons were sold to South African companies in 1965, but a good part of this tonnage apparently was stockpiled in Mozambique in preparation for UDI.

11. Rhodesia's chrome industry continues to operate at about 85% of the pre-UDI level. The Salisbury regime, which has virtually taken over the industry, has sought to avoid a sharp production cutback partly because this would result in heavy unemployment at the mines. Since practically all Rhodesia's chrome ore shipments now are moving in disguised trade channels, exports are difficult to estimate, but foreign sales are probably about 400,000 tons a year. South Africa probably buys considerable amounts of ore, and reportedly Rhodesian chrome is being marketed in Europe and the Far East. Only the United States and the United Kingdom among the major consumers have sought consistently to enforce the chrome sanctions. As high-quality non-Rhodesian ore is in short supply, the Soviet Union, the principal alternative source, has raised its price to the United States and others from a range of $30.50 to $33.00 in 1967, the last year of legal Rhodesian chrome exports, to a current range of $55.10 to $59.60. The increase in price, coupled with an increase in exports, has enabled the Soviet Union to nearly double its hard currency earnings from chrome exports to approximately $55 million in 1969.

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valuable mined product, accounted for about one-fifth of total mineral output and nearly 10% of exports in 1965. Rhodesia ranked fourth in world asbestos production in 1965, with an output of 175,000 tons, and was the leading producer of high-quality long-staple chrysotile fiber. Production

in 1966 reportedly was maintained at least at the 1965 level and may even have increased somewhat since then. While asbestos exports cannot be determined with any certainty, Rhodesia almost certainly is selling most of its output.

13. Production and sales of copper and pig iron, two other important Rhodesian minerals, have been little affected by sanctions. New channels now handle Rhodesian copper sales in Europe, a function formerly performed by British firms, and exports probably are close to 22,000 tons annually, compared with 19,000 tons in 1965. Pig iron exports probably also are running close to the 1965 level of 235,000 tons. Most exports are shipped through South Africa, which in 1967 and 1968 reported pig iron reexports of roughly 170,000 tons a year. In sharp contrast, no reexports were recorded during the three years prior to mandatory sanctions. Japan almost certainly is the final destination.

Imports

14. The oil embargo, once the most effective aspect of the sanctions program and the one with greatest potential impact on the economy, has become increasingly less effective. Formerly, Rhodesia imported crude oil through the Mozambique port of Beira, via pipeline, for its refinery at Umtali. Following UDI, the United Kingdom stopped most of these shipments, and the pipeline was closed. In the first year after UDI, Rhodesia experienced shortages of many petroleum products -- consumption declined 25%, from 3,349 million barrels in 1965 to 2,506 million barrels in 1966 -- but South Africa's supply efforts prevented a serious economic disruption. In subsequent years, Rhodesia has obtained its oil products almost entirely through South Africa, and consumption has increased about 4% a year from the 1966 level.

15. The comprehensive import embargo has been effective in a few specific cases. For example, automobile assembly in Salisbury and Umtali was halted because of difficulties in importing body assembly kits, and Rhodesia Airways has been unable to purchase Boeing 737s. Aside from such cases in which the import's origin is impossible to conceal, however, enforcement has not been very effective.

Transport Sanctions

16. The extension of UN mandatory economic sanctions to ground and water transport will have a minimal effect on the Rhodesian economy. Rhodesia's railroads, which are still the backbone of the transport network, make five international connections, one each with Zambia, Botswana, and South Africa (through Botswana) and two with Mozambique (see the map). Most of Rhodesia's trade moves through the latter three channels. As Portugal will not enforce sanctions, the Mozambique links are unaffected. The connection with Botswana and through Botswana with South Africa is Rhodesian-owned, and the Botswana are unlikely to sever this link, given their own requirements for transport access through South Africa. Contingency plans for building a direct Rhodesian-South African rail link exist in any case and could be implemented rapidly if necessary. The Zambian link facilitates Zambian trade more than Rhodesian trade, and its severance would impose substantial costs on the Zambian rather than the Rhodesian economy. Except for petroleum, the majority of imports and much of Zambia's copper exports still move by Rhodesia Railways. The only important non-Rhodesian transport routes now used are the Great North Road to Tanzania's port of Dar-es-Salaam and the Lobito rail route through Congo (Kinshasa) and Portuguese Angola, both of which are operating at capacity.

17. The highway and air systems, which supplement the rail network in international transport, will similarly be unaffected. The highway system has six international connections. The three that are important to Rhodesia's trade are to South Africa and Mozambique and will be kept open despite sanctions. The international air transportation system serving Rhodesia has been under economic sanctions since 1968. Airlines owned by South Africa, Portugal, Malawi, and Mozambique continue to operate effectively, however, linking Rhodesia with seven countries.

Effects on the Economy

18. Economic activity slowed appreciably in the first year of sanctions, when real income per capita dropped almost 10% (see Table 2). Manufacturing declined 11% in real terms as traditional

Table 2

Gross Domestic Product

	1965	1966	1967	1968	1969 (Estimated)
	Million US $				
Agriculture	189	192	204	172	206
Mining and quarrying	67	63	68	67	77
Manufacturing	186	170	189	209	230
Construction	45	44	53	66	71
Other	505	500	526	578	618
Gross domestic product at factor cost	992	969	1,040	1,092	1,202
Gross domestic product at factor cost in 1965 prices	992	941	990	1,021	1,093
	US $				
Per capita gross domestic product at factor cost in 1965 prices	221	204	207	207	215
	Index				
GDP Price Deflator	100	103	105	107	110

sources of intermediate industrial inputs were denied and sales to Zambia, which in 1965 bought roughly 20% of Rhodesia's industrial output, fell sharply. Two major setbacks were the forced closing of the Umtali refinery and the two automobile assembly plants. Mining and quarrying output in real terms declined 9% as a result of the initial loss of foreign markets.

19. Output elsewhere in the economy initially was maintained at close to pre-UDI levels despite sanctions. A government program of stockpiling export commodities prevented an even sharper initial drop in income levels and permitted output in agriculture, which otherwise would have been extremely hard hit by the cutback in tobacco and sugar exports, to be maintained. Increases in stocks measured as a percentage of gross domestic product (GDP) rose from less than 1% in 1965 to 6% in 1966.

20. In 1967 and 1968 the economy recovered from the initial shock of sanctions, and economic activity increased in real terms from the 1966 low at a rate roughly comparable with the growth in population. Despite tightened sanctions and a severe drought in 1968, the economy was sufficiently reorganized to maintain real income levels. The income distribution probably shifted slightly in favor of Europeans, however, while African per capita income declined.

21. The early months of 1969 marked a turning point. National income and exports began to rise, and mine output increased by perhaps $10 million as production began at the large new Anglo-American nickel mines. Manufacturing output, spurred by increasing import restrictions, grew about 10%, while agriculture registered about a 20% gain over the depressed 1968 level. Growth in real income approximated 7% in 1969, a rate greater than in any year since the Federation years of the 1950s, and, for the first time since UDI, there was a noticeable increase in per capita income. Investment was probably higher than in any year since the boom years of the Federation. Employment exceeded pre-UDI levels, with a larger percentage of the European population employed than in 1965. The percentage of the African population employed declined because population grew faster than employment opportunities, although in actual numbers more Africans were employed (see Table 3). Price rises since UDI were only slightly more than 2% a year, as shown in the consumer price index for Europeans, which stood at 110 at the end of 1969 (1965 = 100). Inflation was controlled, in part, by draining off excess funds, which arose from import restrictions, through large-scale domestic borrowing to finance development projects and programs to counter sanctions.

Table 3

Population and Employment

Year	White: Population (Thousand)	White: Paid Employment (Thousand)	White: Percent of Population in Paid Employment	Black: Population (Thousand)	Black: Paid Employment (Thousand)	Black: Percent of Population in Paid Employment
1961	221	80	36	3,730	628	17
1962	222	80	36	3,850	617	16
1963	220	80	36	3,980	610	15
1964	209	79	38	4,110	627	15
1965	210	80	38	4,250	638	15
1966	213	81	38	4,390	640	15
1967	215	82	38	4,540	639	14
1968	223	85	38	4,690	663	14
1969	230			4,840		
Percentage growth 1968/1961	*1*	*6*		*26*	*6*	

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22. Some alteration of the economy's structure was necessary to lessen import requirements, particularly for manufactured goods, and to produce marketable export goods. Imports declined as a percentage of GDP from 35% in 1965 to 28% in 1968, reflecting in part the rapid development of new import substitution industries. These new industries largely account for the recovery and expansion in manufacturing during the last three years and for the substantial rise in manufacturing income above the pre-UDI period. Diversification also has been extended to agriculture and, to a lesser extent, mining.

23. Most structural changes brought on and accelerated by sanctions probably would have been necessary eventually. The economy is now relatively more self-sufficient than formerly, and exports are more varied. Some of these changes are likely to remain, even if more normal trade should be reestablished.

Prospects for the Economy

24. The economy, bolstered by a continuing substantial rise in manufacturing and mining, is likely to grow more than 5% annually through 1975, even if present sanctions continue in force. Mining output is expected by the government to at least triple by 1975 to more than $200 million annually as new mines are developed and existing ones expanded. The Gatooma and Bindura/Shomva nickel complexes, which began production in mid-1969, will be major contributors, adding approximately $30 million annually to mineral output when in full production. Although mining will replace manufacturing as the fastest growing sector, continued import controls -- only 10% of import allocations are believed to go for finished consumer goods -- should provide the stimulus for an almost 10% annual growth of manufacturing through the early 1970s.

25. Although agricultural income probably rose sharply in 1969 because of improved weather, further increases during 1970-75 will be moderate. While Rhodesia is emphasizing crops less vulnerable to sanctions, particularly cotton, wheat, and corn, recovery will continue to be retarded by tobacco sanctions and generally poor alternative agricultural export opportunities. Tobacco stockpiling

is likely to continue in the early 1970s, but at reduced levels, as tobacco output declines.

26. Rhodesia's number one economic problem in the 1970s is likely to be a shortage of skilled manpower. Because most skilled positions traditionally are filled by whites, economic growth is tied to the growth rate of the white labor force.

27. In the past the demand for white workers has been met in part through increased job participation. From 1961 through 1968, for example, a period of slow economic growth, white employment rose 6% while the white population increased only 1% (see Table 3). Since white participation rates are now quite high, an increase in white employment will be possible only if the white population is increased substantially.

28. The Rhodesian government has sought to encourage immigration, and even with sanctions, has reversed the net emmigration of the politically uncertain pre-UDI period (see Table 4). Immigration, however, may not be large enough to meet requirements. Some relaxation in discriminatory practices against black labor could well be necessary if a shortage of skilled labor is not to become a major economic constraint to economic growth in the 1970s.

Table 4

European Immigration and Emmigration

Year	Immigrants	Emmigrants	Net Migration
1961 a/	6,630	8,600	-1,970
1962 a/	6,060	9,940	-3,880
1963 a/	5,090	14,320	-9,230
1964	7,000	15,410	-8,410
1965	11,130	7,670	3,460
1966	6,420	8,510	-2,090
1967	9,620	6,300	3,320
1968	11,860	5,650	6,210
1969	10,930	5,890	5,040

a. *Exclusive of migration with Zambia and Malawi.*

Balance of Payments

29. Exports declined drastically during the initial post-UDI period, falling from $460 million in 1965 (including reexports and net gold sales) to $300 million in 1966 (see Table 5). The decline continued in 1967, although at a modest rate, and again in 1968, when bad weather conditions adversely affected some export crops. In 1966 the sharp fall in exports mainly reflects the 50% reduction in tobacco sales and a reduction in sugar exports. Exports of manufactured goods to Zambia also fell, contributing to the decline.

Table 5

Rhodesian Balance of Payments a/

Million US $

	1965	1966	1967	1968
Exports	460	300	297	281
Imports	-343	-251	-270	-308
Services (net)	-30	-20	-28	-17
Investment income (net)	-42	-24	-22	-34
Transfers (net)	-3	-2	2	1
Net on current account	42	3	-21	-77
Private capital (net)	9	-4	28	80

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30. During 1969, for the first time since UDI, exports apparently increased substantially, probably by more than 20%. Nickel from the new nickel

mine added appreciably to exports, but most of the increase probably resulted from growing success in circumventing sanctions for most exports. Exports are likely to continue to grow in the 1970s as mineral production increases and sanctions become still less effective.

31. The government restricted imports after UDI to levels compatible with export earnings. Because Rhodesia normally has a very large trade surplus, however, imports did not need to be cut as much as exports, and, except for a few luxury consumer items, most import requirements have been met. The decline halted after 1966, and by 1968 imports were approaching pre-UDI levels. With improved foreign exchange holdings and faster economic growth in 1969, import restrictions were relaxed, and imports probably increased still further. Through the 1970s the level of imports is likely to continue to rise with increases in income and exports.

32. Rhodesia's net foreign payments for services, investment income, and transfers fell from $75 million in 1965 to $46 million in 1966 but has since been increasing gradually. The sharp initial drop stemmed mainly from a halt in interest and dividend payments on the roughly $100 million in British investments in Rhodesia and from a decrease in freight and insurance expenditures as a consequence of reduced trade. As trade expands and new foreign investments become profitable, net foreign service payments are likely to continue to increase. The increase probably will be only gradual, however, unless sanctions are removed and interest and dividend payments to the United Kingdom resume.

33. The net balance on current account deteriorated substantially during 1965-68 but began to improve by 1969. From a $42 million surplus in 1965, the balance fell to rough equality in the first year of independence and then to deficits of $21 million in 1967 and $77 million in 1968 as exports declined and imports and service payments increased. Serious economic problems were avoided by an unusually large capital inflow primarily from South Africa, a substantial portion of which was directed to the Anglo-American nickel mines and the Sable fertilizer project. A rise in exports, in 1969, reduced or perhaps eliminated the current account deficit, and surpluses may be achieved thanks to rising exports in the 1970s.

34. The reversal in the downward trend in exports since March and April 1969 assumes special importance for the balance of payments. Had exports continued to decline, Rhodesia could not have maintained an import level compatible with economic growth. The rise in exports was both an impetus to growth and a source of foreign exchange for imports needed to make this growth possible. If exports continue to increase through the 1970s, as seems likely, and the deficit on current account is ended, Rhodesian national income and imports probably will rise.

35. The capital inflow declined in the first year of independence but subsequently increased substantially. A large net capital inflow, primarily private capital, took place in 1967, and there was an even larger inflow in 1968. In both years these large inflows more than offset the current account deficit, resulting in some increase in foreign exchange resources. Private capital is attracted to Rhodesia by mining and manufacturing opportunities, and the inflow is likely to continue at a high level through the 1970s, although perhaps at a lower level than in 1968. Foreign exchange reserves, which probably amounted to some $33 million at the end of 1968, consequently should continue to increase.

Conclusions

36. During Rhodesia's first three years of independence, economic sanctions succeeded in curtailing economic growth and in generating a growing foreign trade deficit. The Rhodesian population suffered little economic hardship, however, and, with South African assistance, the economic authorities have been able to restructure the economy. The downward trend has been reversed, and in 1969 both real income and exports grew substantially as post-independence investments, particularly in mining and manufacturing, bore fruit.

37. The trade embargo, although inducing an initial decline in exports of more than one-third, did not prevent a substantial rise in exports in 1969. Except for tobacco and sugar, exports of agriculture, mining, and manufacturing have now

essentially reached or exceeded pre-UDI levels. The recently imposed transport sanctions are expected to have little or no adverse effect. Virtually no additional economic pressure can be placed on Rhodesia so long as the United Kingdom and others are determined to avoid measures that would result in confrontation with South Africa.

38. The Rhodesian economy is likely to grow at a substantial rate in the early 1970s as mining, manufacturing, and tertiary activities continue to expand and agricultural diversification proceeds sufficiently to permit some increase in agricultural income. The structural changes brought on or accelerated by sanctions are likely to remain, and they may provide a stronger base for economic growth than has existed since the boom days of Federation.

39. Substantial problems remain in the economy, however, the most important of which stems from racial discrimination in employment. Discriminatory labor practices have led to a relative shortage of white labor and a relative surplus of black labor since the black labor force is growing rapidly. The continued acceptance of a dualistic employment policy may prevent the economy from attaining the real growth of which it is capable.